So for the additional 2 yards of cloth, it would normally take 1/2 hours. (since Us takes the 1 hor for

producing 4 yards)

Therefore, by importing cloth, US

Us saver 1/2 hours ( od ) 158 200) tom

Taking care of UK, UK needs wheat from US.

As per exchange rate, UK suports to bushels of wheat from US.

brom US.

UK can already produce I bushel per how by itself.

If it in had to make 5 more busheli by itself,

it would take 5 hows.

So UK saver 5 hours by simporting

Theory of Comparative Advantage (David Ricardo)

According to law of Comparative Advantage, even if a nation is less efficient than the other nation in production of both commodition. There is still a basis for mutually beneficial trade.

the first nation should specualise in the production and export of the commodity in which its absolute disadvantage is smaller and import the commodity in which its absolute disadvantage is greater.

According to haw af Comparative advantage, even if one nation has an absolute disodvantage compared to other nation in both commodities, there is still a basis for mutually beneficial tracke.

Here, UK cannot export anything to US, it is less efficient than the US in proof of both commodities.

Trade evill take place if the wager in the UK will be subticiently lower than wager in the US 30 at to make the price of cloth lower in UK and the price of cheat lower in US. where more commodified are exprended in terms of the currency of either nation.

Advantage in relation to Wage Rate and some from

US

UK Marti And test soupo

Us pays & G for 1 hour

Price of wheat lw = \$1

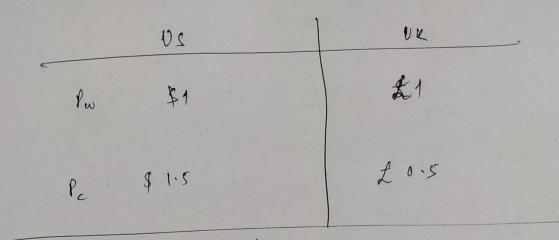
Price of cloth 1c = \$ 155 since 4C m 1 hour

4C=\$6 1C=6/4=1.5 UK paye of 1 bor 1 hour. phospine

Pn = £1

Pc = 20.5

gince 2C 2 £1 in 1 mm



so cloth production is cheaper in UK

.. Then egoth production cheaper in UK but wheat production in us.

16	\$3 = 21	US	UK	
	Pw	\$1	\$2	( trade Unbalanced )
	Q_	\$1.5	\$ 1.2	

". Then wheat prod" cheapen in US, but toth prod so